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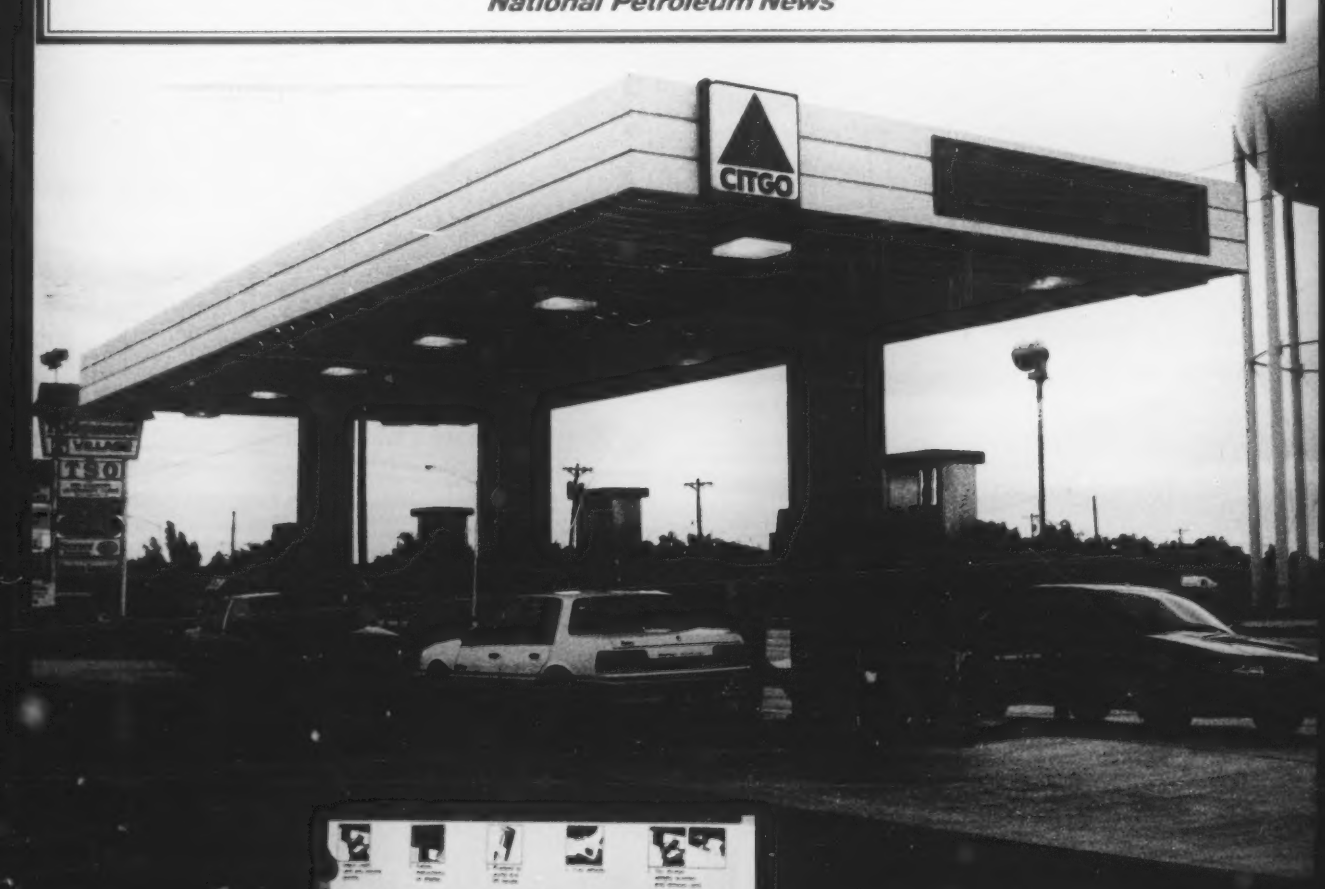
Jobber Scores With C-Stores, Quick Lubes
Rural America: How are Marketers Coping?
Sign of the Times: Social Symbols in Vogue

NPN

National Petroleum News



Unattended: Is It Coming Along or Not?

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Editor's Viewpoint

Inflated pump prices have triggered a great deal of commotion throughout the country, including charges of gouging and price discrimination. Besides angry motorists, the pandemonium at the pumps has put the nation's press, legislators and even roadside critics on the warpath. But more important, it has pitted suppliers against marketers, creating perhaps the greatest stress ever in the love-hate relationship they have shared over the years.

At issue is the difference between jobber rack and company-direct retail prices. Marketers are angry because they have borne the brunt of the price increases which have occurred since the Iraqi invasion of Kuwait on August 2.

The principal marketer trade associations are once again considering retail divorcement. Historically, these national groups have resisted government solutions to marketplace problems. Therefore, it's a sure sign of the depth of marketer anger that the PMAA board approved a resolution directing staff to draft legislation supporting retail divorcement at the Petroleum Marketers Assn. of America's annual meeting and tradeshow this past October .

There is strong feeling by marketers that some suppliers are restraining price increases at their company stations at the expense of the independents. This has given motorists the impression that independent marketers are price gouging, when in fact they have been unable to pass along the increases they have been forced to pay at the rack.

One jobber told me at the PMAA convention, "We may not need divorcement, but we need something." Another added, "What with all that is going on at the wholesale and retail level, it's almost impossible to make a living." A Conoco jobber explained that between his station and another company-op location there was a 17¢ differential at the pump.

I guess the first question marketers should ask themselves is what impact would divorcement have on a free marketplace?

While I can see merits to both sides of the issue, retail divorcement doesn't appear to be the best answer to a very complex and difficult problem. What comes after divorcement? Divestiture of all retail outlets? At some point, will jobbers themselves be required to "divorce" their own company stations? There are many marketers who still aren't sure that retail divorcement is the answer.

First and foremost, oil companies have to act responsibly and work at enhancing their jobber relationships, not hindering them. The last thing the petroleum industry needs is more governmental controls.

On a positive note, PMAA's annual convention was a hit this year. Petroleum marketer turnout reached new highs and the seminars were informative and well-attended. PMAA, keep up the good work! *—Peggy Smedley*

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Unattended automated fueling is making headway, but not on all fronts. Commercial cardlocks are expanding rapidly, but growth of public unattended stations, while promising, is still slow. Here's a progress report.

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Bill Kent, a second generation jobber, is building a stronger identity in West Texas markets pursuing a strategy that emphasizes large modern C-stores and adjacent quick lubes.

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These are changing times in the rural/small town marketplace. Rural marketers are getting hit by environmental regs, a shrinking farm market and tougher competition. But many rural jobbers are adapting to the changes and finding new opportunities for growth.

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• TRENDS

Does the U.S. Mean Business in Energy Reform this Time?

After the Mideast oil crises of the 1970s passed, the United States practically fled from the course it had taken to encourage oil exploration, develop alternative fuels and promote conservation of oil. In the present crisis, the resolve has been born again and appears to be more determined. It may signal the coming of a stronger national commitment this time around.

Briefing the Senate energy committee in September, Energy Secretary James Watkins outlined the steps DOE was taking to help offset the loss of 4-million-plus bbl. of crude oil on the world market as a result of the United Nations embargo of Iraq and Kuwait.

He gave the committee a list of energy supply and conservation recommendations, which supplemented an earlier list [*NPN*—Sept,. p62]. He said all the steps could add 607,500 b/d or the equivalent by the end of 1990 and another 530,000 b/d by the end of 1991.

DOE will encourage consumers to use lower octane gasoline, a process some oil companies had begun on their own. Watkins said about 80% of vehicles on the road would operate well on 87-octane regular unleaded. He proposed cutting the national average octane of regular unleaded to 87 from 88.5, a saving 30,000-80,000 b/d.

DOE will campaign for better driving habits in the Federal Driver Energy Conservation Awareness Techniques (DECAT) program. Potential savings: 120,000 b/d.

It will work with petroleum marketers to encourage oil burner tuneups and replacement with better burners, boilers and furnaces. This could save 35,000-50,000 b/d.

DOE will help utilities develop electricity conservation programs, especially the 29 in the Northeast and Mid-Atlantic states that use 94% of the 650,000 b/d of oil consumed in electrical power generation. A 1% reduction in electricity consumption would save the equivalent of 150,000 b/d of oil.

The agency will help New England local governments build municipal solid waste plants to generate electricity, saving as much as 35,000 b/d of oil.

The government is forming an inter-agency task force to identify Alaska oil production projects that would benefit from expedited processing of federal permits. Two already identified could result in production of up to 100,000 b/d in 12-18 months.

DOE is working with federal and state agencies to lower regulatory barriers that prevent delivery of natural gas for enhanced recovery of heavy California crude. This could increase oil production 50,000-100,000 b/d in 1-2 years from 13,000 shut-in wells.

Watkins said DOE is continuing to try to find a way to get the Point Arguello field offshore California on stream, but it won't happen until the first quarter of 1991 at the earliest. Eventually this field could produce 100,000 b/d.

The administration is renewing its request to Congress to provide incentives for U.S. oil and gas exploration. This could develop 172,000-196,000 b/d by 1995.

Watkins said DOE would ask Congress to allow leasing and exploration of the coastal plain of the Arctic National Wildlife Refuge (ANWR) on the north slope of Alaska. He added he believed this could be done in an environmentally sound way acceptable to Congress.

He said federal and state agencies could hurry up their processing of several gas pipeline projects that are blocking supplies that could displace 55,000 b/d of oil.

Refiners, which use one-fourth of the oil consumed in the United States, mostly for feedstocks, could save 36,000 b/d for every 1% reduction.

These are potentially significant contributions, but perhaps more importantly they are evidence that some serious thinking is going on. If pressed forcefully, some of these measures could show people what they themselves can do to save oil without changing their lives fundamentally.

A looming war involving U.S. military forces in the Mideast is a far greater trauma than the long lines of the 1970s, and the situation threatens to get much worse. Some of the new resolve just might stick.

—Mark Emond

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

August	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.246	$1.198	$1.190	$1.369
Regions				
Northeast	1.243	1..210	1.166	1.374
North Central	1.278	1..257	1,.227	1.429
South	1,209	1,.200	1,143	1.321
West	1..263	1.179	1..230	1.401

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	9/28/90	9/29/89
Gasoline (Total)	223,892	223,741
Gasoline (Unleaded)*	172,008	161,715
Jet Kerosine	42,143	40,065
Distillates	134,807	122,923
Residual	51,488	33,792

**Included in gasoline total.*

Source: American Petroleum Institute.

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D-I-Y Pays Off in Small Towns
Fuel Oil: Expect More Erosion
Jobbers Reconsider Retail Divorcement

NPN

Is Marathon on the Road To Independence Again?

EXCLUSIVE!
UST Handbook

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Editor's Viewpoint

Korea: Recently, I had the pleasure of visiting this fascinating and charming country. I was there at the invitation of the president of the Petroleum News of Korea to observe the petroleum market and to compare what's happening in that market with the U.S. oil market. I also spoke to a group of Korean marketing execs, offering my observations on the two markets.

During my stay, I visited the largest oil company in the country, as well as several independent jobbers. I even observed a few gasoline stations.

I think the most important distinction I found is that the Korean industry is about where the U.S. industry was 10 or 15 years ago—and in some respects, earlier than that. Automotive service work in stations—TBA centers as they call them—is widespread and very popular, just as it was here 20 years ago. Full service at the pumps is the only service—self-serve is unknown. C-stores at this point are only a glimmer in their eyes. Quick lube outlets, unattended or cardlock stations and free car washes are practically unimaginable to Korean marketers. Station electronics, POS, etc., are still in their infancy.

On the other hand, the Korean petroleum industry is booming at a pace that American marketers can only envy—about 15% per year—and we'll see some dramatic changes there in the years ahead.

Most important of all, government controls are finally being lifted. Currently, the government regulates just about every aspect of the industry. For example, there's a minimum-maximum cap on retail gasoline margins. However, the government has indicated that in January it will open the door to a much freer marketplace. And Korean jobbers are hoping this new environment will encourage U.S. oil companies to invest in marketing joint ventures with them. In the June issue of *NPN*, we hope to give you even more insights into Korean oil marketing, how it has evolved and some of the opportunities we can see developing there.

On another note, the Petroleum Marketing Education Foundation's (PMEF) seminar for women in Petroleum and C-store Marketing this past October was very informative and enlightening—not only for the 50-plus women on hand, but perhaps most of all for the three male attendees, present only because they were guest speakers. This was a new endeavor for PMEF, and I think they're to be commended for inviting a variety of women, all with important responsibilities in petroleum marketing who shared their awareness of the expanding role women are assuming in the industry.

In this traditionally male-dominated industry, it has been blue suits and ties for a long time. Make way for blue skirts and heels, gentlemen.

—Peggy Smedley

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The marriage of big steel and big oil—USX and Marathon—could be coming to an end. Marathon shows signs of emerging from its steel cocoon as a stand-alone independent again.

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Fuel oil outlook: Marketers can expect the oil heating industry to lose as much as 5% of its market share by the end of this heating season, thanks to the latest round of price increases.

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Wisconsin-based gasoline/C-store marketer Kwik Trip successfully blends a state-of-the-art marketing style with an image of simple country values.

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Iraqi Crisis Impacts Third-Quarter Profits

There was neither sense nor sanity in the third-quarter and nine-month earnings reports of the nation's leading oil companies as the Mideast crisis turned crude and product prices upside down. Supplies posed no problems for anyone, however.

Exxon, as an example of what went on in August and September, says its third-quarter profits this year were exactly the same while its nine-month figures were up only a modest 14%. Downstream, its earnings were off 56% in the third quarter and 40% in the nine-month period.

Marathon had a strong upstream and downstream third quarter, but the exact dimensions were clouded because it closed out its TXO, Inc., operations in the Southwest, selling some of the assets and rolling the rest into Marathon Oil in Houston. Even with a restatement of earnings, however, Marathon appeared to be on the verge of its first $1-billion earnings year in its history. It was close last year, $987-million, and was at the $800-million mark at the end of nine-months 1990 and running fast.

Mobil says its earnings were down 29% in the third quarter while Amoco reported a 58% increase. Shell's roller-coaster returns were off 33%.

Fantastic percentage increases were posted by Murphy and Coastal for the third quarters—1,400% in Murphy's case and 1,000% in Coastal's.

Corporate Profits Varied from -71% to +1,400%

(Millions of dollars)

	3rd qtr. 1990	3rd qtr. 1989	% Chng	9 mos 1990	9 mos 1989	% Chng
Exxon	$1,075.0	$1,075.0	--	$3,455.0	$3,025.0	14.2%
Mobil	379.0	532.0	(29.8)	1,277.0	1,362.0	(6.2)
Chevron	403.0	417.0	(3.4)	1,524.0	1,134.0	34.4
Amoco	530.0	336.0	57.7	1,375.0	1,291.0	6.5
Shell	227.0	340.0	(33.2)	590.0	1,140.0	(48.2)
Texaco	381.0	305.0	24.9	1,062.0	2,126.0	(100.2)
Arco	462.0	379.0	21.9	1,445.0	1,550.0	(6.8)
BP America(a)	540.0	509.0	6.1	1,831.0	1,748.0	4.7
Phillips	178.0	87.0	104.6	542.0	474.0	14.3
Conoco *	126.0	98.0	28.6	273.0	430.0	(36.5)
Unocal	121.0	79.0	53.2	363.0	286.0	26.9
Marathon **	278.0	189.0	47.1	800.0	821.0	(2.3)
Coastal	33.0	3.0	1,000.0	130.7	98.7	32.4
Sun	25.0	85.0	(70.6)	211.0	271.0	(22.1)
Amer. Hess	280.0	51.8	440.5	247.5	405.0	(39.0)
Pennzoil	26.4	35.4	(25.4)	63.8	206.0	(69.0)
Ashland ***	59.1	39.4	50.0	182.1	86.2	111.3
Kerr-McGee	43.1	20.2	113.4	100.3	118.0	(15.3)
Murphy	37.6	2.5	1,404.0	95.0	25.7	270.0
Am. Fina	26.5	15.1	75.5	106.5	105.7	0.8
Citgo	na	na	na	na	na	na
Dia. Sham.	53.2	10.1	426.7	69.7	51.9	34.3
Crown Cent.	2.4	8.8	(72.7)	18.7	17.9	4.5
Total	36.8	10.4	253.8	41.7	38.5	8.3

* After tax income; ** operating income; also, 3 qtr. and 9 mos. were restated to reflect TXO, Inc. asset sales and incorporation of balance into Marathon Oil; *** 4th qtr. and full year; fiscal ends 9/30.
(a)These are replacement cost operational profits for the American segment of the London corporate report. BP America no longer restates them to reflect past accounting procedures and policies.

Downstream, Conoco Rang the Bell with +136

(Millions of dollars)

	3rd qtr. 1990	3rd qtr. 1989	% Chng	9 mos 1990	9 mos 1989	% Chng
Exxon (total)	$246	$347	(29)	$1,011	$758	33
Domestic	54	124	(56)	102	256	(60)
Foreign	192	223	(14)	909	502	81
Mobil (total)	5	366	(99)	375	554	(32)
Domestic	(22)	82	--	75	253	(70)
Foreign	27	284	(90)	300	301	--
Chevron (total)	35	189	(82)	613	405	52
Domestic	(53)	130	--	376	240	57
Foreign	88	59	49	237	165	44
Shell (total)	13	106	(88)	65	351	(82)
Texaco (total)	169	159	6	633	505	23
Domestic	108	74	46	309	190	63
Foreign	61	85	(28)	324	315	3
BP America	289	111	160	656	476	38
Phillips (total)	51	48	6	160	161	--
Conoco (total)	184	78	136	400	241	66
Marathon	142	112	27	482	347	39
Sun (total)	26	77	(66)	192	228	(16)
Domestic	12	4	(100)	170	205	(17)
Foreign	14	73	(81)	22	23	(4)

Southland in Chapter 11, Business As Usual

Despite Southland Corp.'s filing for protection under Chapter 11 in late October, the convenience store giant expected operations at its offices and throughout its chain of 7-Eleven stores to continue normally.

The company says it is immediately filing motions in bankruptcy court to assume existing 7-Eleven franchise and area licensee agreements; pay employee salaries and wages; continue employee benefit plans; and pay pre-petition debt in full to all suppliers who agree to provide the company with customary credit terms during the bankruptcy case.

Southland says debt holders and equity holders have given the company sufficient percentages of votes for a prepackaged reorganization plan. Also in connection with the filing, a group of lenders is providing Southland with $400-million in debtor-in-possession (DIP) financing.

Soon after the filing, bankruptcy court authorized immediate use of $100-million of the DIP financing, according to the company. Southland intends to use the DIP funds to buy inventories and to continue the company's other normal operations, Southland says.

"In light of the results of the exchange offers and the high level of support we have received for our prepackaged reorganization plan, we believe this is the best alternative to complete a financial restructuring quickly," says Clark Matthews, Southland's chief financial officer. "We hope to obtain court approval of the prepackaged reorganization plan as soon as possible."

The U.S. Bankruptcy Court for the Northern District of Texas, Dallas Division, scheduled a confirmation hearing for Southland's prepackaged reorganization plan for December 14.

Southland also announced a new stock purchase agreement with longstanding business partners Ito-Yokado Co., Ltd., and Seven-Eleven Japan Co., Ltd. Among other things, the agreement provides for Ito-Yokado and Seven-Eleven Japan's purchase of 70% of Southland's common stock for $430-million in cash.